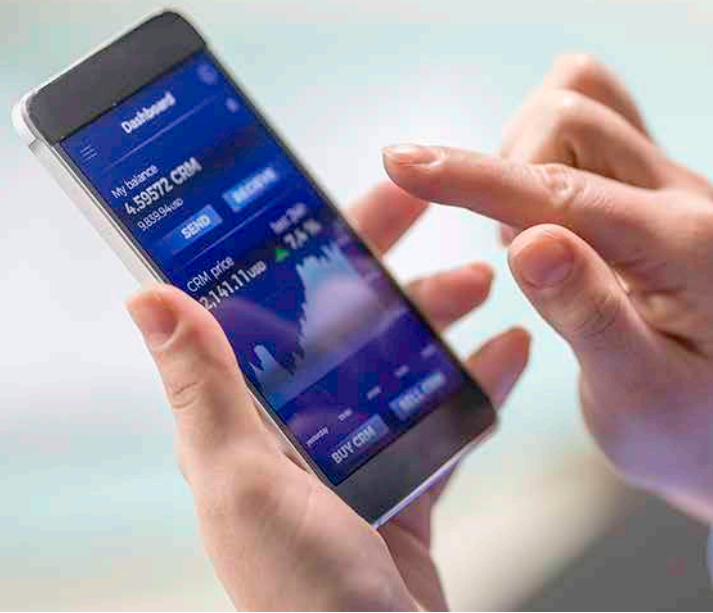


# 2020 Risk Radar: Banking Sector

May 2020

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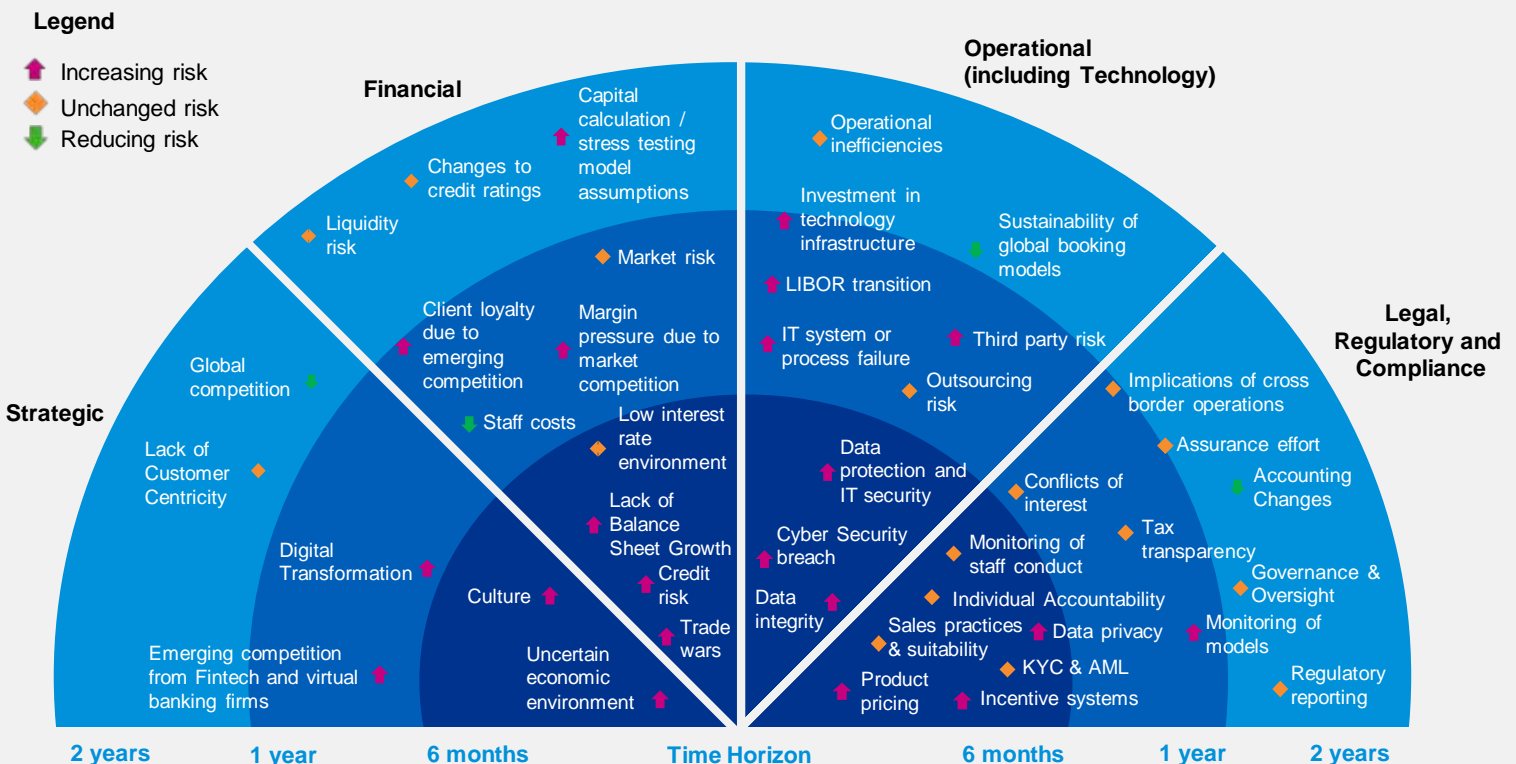


The challenges of last year have continued and the first quarter of 2020 has brought new unexpected disruptions in the Greater China region. At this point it is too early to estimate the financial impact of the COVID-19 but we should expect an increase of non-performing loans (NPLs) in certain affected sectors. China's Greater Bay Area Initiative provides new opportunities in financing, retail, wealth and asset management services for financial institutions in the region, but specific details remain lacking.



## Key trends observed in the market impacting the industry in the Greater China region:

- Regulators pursuing an increasing number of conduct-related enforcement cases;
- Lack of Balance Sheet growth as uncertainty continues;
- Low interest rate environment persisting;
- Uncertain economic sentiment and impact of COVID-19 on credit risk;
- Banks need to re-evaluate their operating models as virtual banks enter the Hong Kong market;
- Increased digitalisation enable banks to win new customers and improve cost and operational efficiency but changes the nature of risk;
- Moving from prevention of risks to operational resilience - how quickly a bank can recover from non-financial risks such as cyber and climate occurring; and
- Continuing complexity of Money Laundering / Terrorist Financing (ML/TF) risk.



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